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IN THIS ISSUE:

On the Cover

The National Capitol at Washington, D. C., is the seat of government of the United States. The building is 751 feet, 4 inches long, 350 feet wide, and rises 287½ feet to the tip of the dome. The original cornerstone was laid by President George Washington in 1793. The first structures were burned by the British in the War of 1812, but restoration was soon completed on the wings. The central portion was completed in 1829.

This monumental structure has lived through almost all the history of Constitutional government of these United States. It symbolizes free government in America and for the world. The Senate of the United States, which sits in the North wing, is known as the greatest deliberative body in the world. The House of Representatives with its larger membership (435) and many committees is intended to be and is more closely tied to constituency with an election of its entire membership each two years.

The 82nd Congress is now in session and considering, among many other things, an appropriation bill of unprecedented size and a bill to extend the Defense Production Act of 1950 beyond its expiration date of June 30, 1951. Both of these bills affect every business and every family budget in America. They affect the lives of 3½ million young men called or to be called to the armed services. This Congress may be called upon to determine the trend to war or peace for our whole generation.

The men in Congress represent YOU. They want to know your opinions on the important issues facing them. It is your duty to help them by providing all the help, all the facts, all the advice that you can muster. Write to them; call them by phone; or contact them any way you can; but do let them know where you stand.

The National Convention

The 37th Convention and Annual Meeting of National Consumer Finance Association will be held at the Greenbrier Hotel, White Sulphur Springs, West Virginia, September 27-28-29, 1951. Reservations should be made directly with the Greenbrier Hotel, attention Mr. Shaunessy, reservation manager. We are advised that the hotel intends to confirm all reservations for the September convention during the month of July. It is believed that accommodations will be adequate, but requests for space should be sent in on the official reservation forms provided for members by National Consumer Finance Association from its Washington office.

Our back cover of this issue gives you a pictorial presentation of typical convention scenes in and about the Greenbrier.

BUSINESS SESSIONS

BANQUET

LUNCHEONS

RECREATION

WOMEN'S PROGRAM

In the Congress

The Banking and Currency Committee of the Senate and the corresponding committee of the House have been holding public hearings for the past three weeks on bills to extend the Defense Production Act of 1950 which expires by limitation on June 30, 1951, unless extended. For the first two weeks the government witnesses representing the Administration and the defense establishment were unanimous in their demands for an extension of two or three years and for amendments to broaden and expand control powers.

Then came the industry witnesses. Nearly every segment of American industry will be represented in the testimony. The consumer credit grantors are protesting against any broadening of Federal Reserve Board powers to control consumer credit and are asking for termination of Regulation W.

Ex-Senator Scott Lucas of Illinois appeared on behalf of the American Finance Conference. He made a strong case against Regulation W and urged its termination as a useless discrimination against wage earners and farmers. He argued that it neither saves materials nor aids in the control of inflation. In the event Congress does extend the authority, the ex-Senator asked that a minimum of 18 months for automobile financing be written into the bill itself.

The National Foundation for Consumer Credit and the Retail Credit Institute of America, Inc., presented their opposition through ex-Senator Francis Myers of Pennsylvania. In his prepared statement he took up each of the objectives of Regulation W as amended by the Administration and showed that the Regulation had failed to accomplish any of these objectives.

The Senator then emphasized the harmful effects which flow from this Regulation. Some of these effects are (1) while consumer debt has been reduced by $480 million, consumers have been cashing Series E bonds and withdrawing savings at a rate more than twice as fast as consumer debt has been reduced. The Regulation has scuttled the bond market. (2) It has channeled purchasing into cash buying—not reduced total volume. Durable goods have accumulated surpluses and production is being lost now which will be sorely needed later on. (3) It has contributed to more inflation—not less—by shifting the buying habits of purchasers from instalment buying of durables to soft goods, thus distorting demand and raising price pressures. (4) It has impaired the savings programs of American families. The family, because of Regulation W, has on the one hand liquidated its savings, and on the other has got out of the habit of purchasing durables of lasting value. Hence our families will have sunk to a lower physical standard of living.

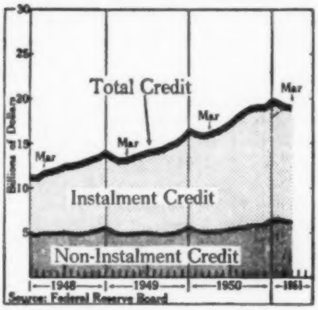
Senator Myers challenged the accuracy of Federal Reserve statistics on consumer credit and reached the conclusion that the actual total of consumer indebtedness is little more than half the amount reported to the Congress and through the press.

The hearings are to continue indefinitely. It would appear unlikely that the Senate and the House could agree on a bill by June 30. More likely, a joint resolution will be adopted extending the act for a temporary period of 60 or 90 days while the measure is fully debated.

Food for Thought

Culled from Here and There

Personal Debts



Consumer credit outstanding slipped again in March, following slight declines in both January and February. This personal debt for goods and services normally falls in January-February, but usually turns up in March. The $19,375 million total at the end of March was 19% above a year earlier and 44% above the level two years earlier.

"We have had our last chance—

"The problem basically is theological and involves a spiritual recrudescence and improvement of human character that will synchronize with our almost matchless advance in science, art, literature and all natural and cultural developments of the past two thousand years. It must be of the spirit if we are to save the flesh."

—*General Douglas MacArthur.*

A Lesson In Socialism

As a teacher in the public schools, I find that the socialist-communist idea of taking "from each according to his ability," and giving "to each according to his need" is now generally accepted without question by most of our pupils. In an effort to explain the fallacy in this theory, I sometimes try this approach with my pupils:

When one of the brighter or harder-working pupils makes a grade of 95 on a test, I suggest that I take away 20 points and give them to a student who has made only 55 points on his test. Thus each would contribute according to his ability and—since both would have a passing mark—each would receive according to his need. After I have juggled the grades of all the other pupils in this fashion, the result is usually a "common ownership" grade of between 75 and 80—the minimum needed for passing, or for survival. Then I speculate with the pupils as to the probable results if I actually used the socialistic theory for grading papers.

First, the highly productive pupils—and they are always a minority in school as well as in life—would soon lose all incentive for producing. Why strive to make a high grade if part of it is taken from you by "authority" and given to someone else?

Second, the less productive pupils—majority in school as elsewhere—would, for a time, be relieved of the necessity of study or to produce. This socialist-communist system would continue until the high producers had sunk—or had been driven down—to the level of the low producers. At that point, in order for anyone to survive, the "authority" would have no alternative but to begin a system of compulsory labor and punishments against even the low producers. They, of course, would then complain bitterly, but without understanding.

Finally I return the discussion to the ideas of freedom and enterprise—the market economy—where each person has freedom of choice, and is responsible for his own decisions and welfare.

Gratifying enough, most of my pupils then understand what I mean when I explain that socialism—even in a democracy—will eventually result in a living-death for all except the "authorities" and a few of their favorite lackeys.

A letter from Thomas J. Shelley, teacher of Economics and History, Yonkers High School, Yonkers, N. Y. Jan. 20, 1951, to the Foundation for Economic Education, Inc., Irvington-on-the-Hudson, N. Y.

MEETING SCHEDULE

CONNECTICUT

Race Brook Country Club, Orange, June 12

Bond Hotel, Hartford, November 20

FLORIDA

George Washington Hotel, Jacksonville, June 14-15

IDAHO

Sun Valley, June 29-30

ILLINOIS

Edgewater Beach Hotel, Chicago, October 30-31

MARYLAND

Tidewater Inn, Easton, June 14

Lord Baltimore Hotel, Baltimore, October 13

MICHIGAN

Ramona Park Hotel, Harbor Springs, June 28-29

Statler Hotel, Detroit, November 6-7-8

NEW JERSEY

Knoll Country Club, Boonton, June 7

Essex House, Newark, October 25

NEW HAMPSHIRE

Manchester Country Club, Manchester, June 19

NEW YORK

Albany, November 14-15

OHIO

Neil House, Columbus, October 16-17

OKLAHOMA

November

OREGON

Multnomah Hotel, Portland, November 17

PENNSYLVANIA

Philadelphia, November 7-8

UTAH

June 16

VIRGINIA

Jefferson Hotel, Richmond, October 10-11

Consumer Credit Controls and Marketing the Treasury's E Bonds

This article is the contents of a pamphlet published by **The National Foundation for Consumer Credit.**

Government's E Bond Savings Program Scuttled by Regulation W

E Bonds now approaching their tenth or "maturity" year in staggering amounts will require huge outlays by the Treasury to finance their redemption—unless the people are persuaded to hold them as a continuing investment.

Then, too, in this new emergency the nation needs the proceeds of additional billions in E Bond sales to defray at least part of the cost of the current defense program; and to siphon off excess consumer buying power to limit the impact of inflation.

To get the public to retain Bonds already held while simultaneously persuading millions of people to buy new E Bonds is a problem staggering enough of its own right.

Above all else, the Treasury Department, the nation, can permit no artificial obstacle in the form of a fiscal policy to defeat the successful achievement of these goals.

Regulation W of the Federal Reserve System

Notwithstanding this obvious necessity to keep the E Bond program free of molesting obstacles—Regulation W of the Federal Reserve System is today hampering the Treasury dangerously.

Regulation W requires 25% down payment on all durables and has accelerated the remaining payments so that per week or per month, these are materially greater than in normal markets.

While the effect has been to hold some buyers out of the durables' market, a much larger number have been so convinced of the advantages in immediately purchasing such equipment, that they consider doing so more in their interest than it is to hold their E Bonds and savings accounts.

A net effect of Regulation W has been tremendous, unnecessary redemption of bonds before maturity. It will accelerate the demand for redemption at maturity, from now on—in defeat of the Treasury's hope that these bonds will be held for a second ten years. This will be more and more costly to the government bond program as the bulk of maturing bonds rises sharply in the period ahead.

W's Multiplied Effect on Bond Redemption

Moreover, families which at first consider redeeming sufficient bonds to meet the *down payment* requirements of Regulation W, have concluded that they might as well eliminate the red tape of an instalment contract entirely. So long as they must redeem some bonds, they actually cash in sufficient to meet the entire, 100%, cost of purchases they contemplate. Here the unfortunate effect of Regulation W is being multiplied every day in its impact upon the Treasury's bond program.

Retail stores all over the country are reporting a tremendous increase in cash purchases with corresponding decreases in instalment sales *without appreciable change in total sales.* By actual questioning of consumers, it becomes evident that the cash used comes from redeemed bonds and savings accounts, and that "since we had to redeem bonds to meet the regulatory down payment, we cashed enough to pay all cash."

While no accurate statistics can be gathered easily to show that consumers are acting in this manner, reports from business meetings and direct from retailers and bankers show unmistakable proof of the seriousness of the trend. The rate of bond redemptions shown in Treasury statistics, and government reports on savings funds withdrawals, make further proof almost unnecessary.

There is reason to suspect that this condition—the inducement to the public to redeem bonds rather than to meet the requirements of Regulation W—may defeat full success of E Bond sales programs launched this year.

Bond redemptions will remain high also because of the conflict between the fundamental principles of the bond sale program and of consumer credit regulation. The success of the former depends on "extra cash" to be siphoned from consumers. The latter is designed to eliminate such extra cash from the family budget, by increasing the amount of each instalment contracted.

The fact that sales of durables to consumers continue with cash from redeemed bonds replacing what would have been instalment receivables, gives misleading deflationary aspect to what really is an inflationary phenomenon.

The Same Consumers

Stores report that the customer group which has been buying durables in the past three months, remains unchanged, i.e., in its economic-social complexion; that the middle and lower income families which normally purchase on instalments are still buying—a growing percentage of them represented among those now paying cash with money from redeemed bonds and proceeds from savings accounts.

This phenomenon possibly attests to the utter unwillingness of Americans in all economic strata to be segregated by law—some of them to *have* an equitable share of existing production; others not to have it—by the inadvertency of consumer credit or any other "controls."

The two programs—the regulation of consumer credit and the Treasury's effort to induce consumers to hold existing bond portfolios and to subscribe to tremendous new E Bond quotas—seem diametrically opposed to one another. The success of the Bond program may be defeated by the credit regulation.

Adverse Balance in E Bond Sales and Redemptions

From January 1 to April 30, 1951, the people redeemed E Bonds in the amount of $1,477,752,000. In the same period they invested only $1,148,903,000 in new E Bonds. This leaves the Treasury out-of-pocket $329,000,000 in this one net transaction, in only the first third of the year.

Redemptions passed new Bond sales early in 1950. The condition became aggravated with the Korean crisis, midyear. As Regulation W took full hold after October and continuing into early 1951, the strain on the E Bond program became more and more pronounced.

The Treasury has no alternative other than to reverse this unfortunate trend. It must do far more. The present net withdrawal rate of a billion dollars a year must be replaced by a substantial net new E Bond investment in excess of continuing current redemptions.

To accomplish this the causes of the present unfortunate situation must be removed.

The testimony of countless retailers in all parts of the United States supports the argument that possibly more powerful than any other influence at work here has been a regrettable reaction from the consumer credit regulation of the Federal Reserve System.

Instalment Debt Down E Bond Redemptions Up

In the first quarter of 1951 the Federal Reserve figures show that consumers reduced their outstanding instalment indebtedness by $480,000,000 net, meaning that they paid off $480,000,000 more in this short period than they undertook in new debt by their purchases.

However, during the same period they withdrew net, at the cost of the U. S. Treasury, $329,000,000 of their E Bond investment.

Other Savings Withdrawals

In the three months they withdrew from savings banks and institutions in New York state alone $178,000,000 more than in the same three months of 1950.

The Securities and Exchange Commission estimates that New York state savings institutions account for between 35 and 40 per cent of the national savings totals, and say they have no reason to believe the trend throughout the nation differed greatly from that in New York in this instance. This indicates that the net excess of savings withdrawals nationally in the first quarter of 1950 may be something like $450,000,000.

Inflationary Influence of W

Withdrawals from savings accounts and the proceeds of redeemed bonds thrown in hard cash into the stream of commerce are about as inflationary an influence upon the economy as one can find, dollar for dollar.

While many influences may lie behind this heavy use of consumers' savings, unquestionably the impact of the consumer credit regulation, unpopular in the public mind as an attempt at unfair rationing, and requiring heavier than normal monthly payments for goods by the people least able to meet heavy payments, has been a major cause.

That Regulation W has been and is an *inflationary* influence to this extent, in diametric opposition to its published purpose, is no less real because it is startling to observe.

The Treasury's Figures

U. S. Savings Bonds

Series E

		Sales	Redemption
1950	January		320*
	February	361*	224
	March	364	309
	April	305	275
	May	307	313
	June	297	334
	July	318	368
	August	270	394
	September	244	348
	October	271	360
	November	246	318
	December	284	350
1951	January	343	448
	February	272	362
	March	280	343
	April	253	324

*Millions of Dollars

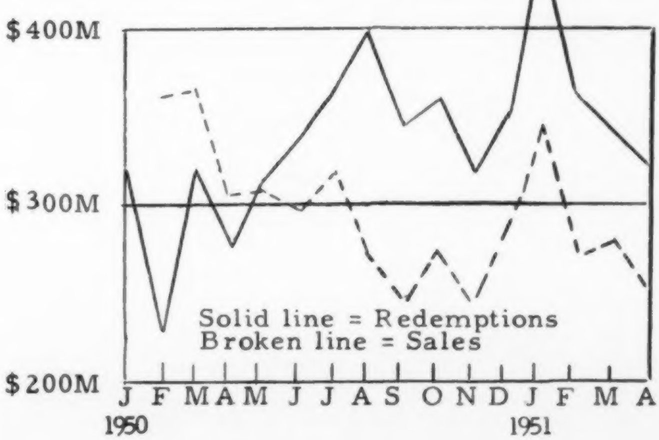
Savings Account Withdrawals

The following chart shows withdrawals by individuals from savings accounts in New York state alone, compiled by the Savings Banks Association of the State of New York, recently running at the heaviest rate in history. As we have stated, New York accounts for 35-40% of the national total.

Schedule of Withdrawals from Savings Banks and Savings Institutions in New York State

1950	January	$340,983,000
	February	203,718,000
	March	235,886,000
	April	246,011,000
	May	241,565,000
	June	277,371,000
"Korea"	July	374,061,000
	August	289,349,000
	September	255,992,000
Revised Reg. W	October	298,732,000
	November	222,429,000
	December	242,155,000
1951	January	429,412,000
	February	255,962,000
	March	273,191,000

U. S. E Bonds
Sales and Redemptions



Missouri Finally Enacts Consumer Loan Law

By MONROE HEGGLAND

Mr. Heggland is on the staff of the Public Relations Department of Household Finance Corporation.

After five years of effort a consumer loan law is once more on the Missouri statute books. Senate Bills 78 and 79, which together provide a code for the regulation of consumer loans, were approved by Governor Forrest Smith on May 8, 1951. S. B. 78 became effective upon signature. S. B. 79 will become effective 90 days after the present session of the legislature adjourns. The effective date will probably be around October 1.

The new legislation has several distinctive features. First, it covers all types of commercial lenders of consumer instalment loans, including small loan companies, banks, auto finance companies, and loan and investment companies. Second, it provides one of the lowest maximum rates of charge in the country. On loans up to $400 the charge permitted is $15 per $100 per year, or an equivalent monthly rate of 2.218% on unpaid balances. The only state in which a legal loan business is carried on at a lower rate than this is Massachusetts, where the rate is 2% a month. Third, a lender may also make a side loan above $400 of any amount to the same borrower at a charge of 8% a year, simple interest. This loan must be paid off simultaneously with the small loan. The larger loan feature helps to compensate for the low rate permitted on the smaller loans.

Missouri's recent history presents an outstanding example of what can be expected in a state if its small loan law is allowed to become inoperative. The Missouri Small Loan Law, which had protected borrowers for 19 years, was declared invalid by the State Supreme Court in 1947 on the ground that it conflicted with the new 1945 Constitution.

The Constitution includes the following unique and unfortunate provision: "No law shall be valid fixing rates of interest or return for the loan or use of money, or the service or other charges made or imposed in connection therewith, for any particular group or class engaged in lending money. The rates of interest fixed by law shall be applicable generally and to all lenders without regard to the type or classification of their business."

The effect of this provision is to prevent enactment of a law for small loan companies alone. Any interest law, to be constitutional, must apply also to all other commercial instalment lenders.

Invalidity of the small loan law was the signal for an immediate influx of loan sharks. Unable to operate at the 8% a year usury rate, practically all of Missouri's former 134 small loan licensees closed up or moved their capital to other states. Only a few continued to operate. To help eke out a reasonable income, these lenders felt obliged to adopt such practices as discounting interest in advance and requiring borrowers to buy insurance. But loan service was also quickly offered by representatives of out-of-state loan shark chains who boosted rates to 120% or 240% a year, or more. A few banks in the large cities were said to be making some loans at legal rates, but by-and-large the state soon became a hotbed of illegal lending. Most of the 200,000 Missouri families who had formerly used small loan service were left with the choice of paying exorbitant loan shark charges or attempting to secure loans from the legal lenders in Illinois and Nebraska. Many were served by the latter.

Attempts to secure enactment of a new law to conform with the Constitution began in 1946. Bills were passed by both houses of the legislature in 1946 and again in 1947, only to be vetoed both times by Governor Donnelly. In 1949, after Governor Smith recommended passage of a workable law, another bill which had passed the Senate, received a favorable vote of 76 to 60 in the House, but failed to pass because 78 affirmative votes are required by the State Constitution.

The law finally passed this year was the result of a cumulative public demand for elimination of the loan sharks. The drive was stimulated by the Kansas City Better Business Bureau, which worked tirelessly in the formation of a statewide Citizens Committee to force action. The Bureau's efforts were endorsed by the State Chamber of Commerce, numerous local chambers of commerce, labor organizations, social workers, and other civic-minded groups.

Opposition to a workable law appeared to come principally from entrenched loan shark interests aided, innocently or otherwise, by certain St. Louis papers and a few legislators who refused to recognize the facts about lending costs. They consistently attacked rates of charge high enough to permit reputable companies to operate, and shut their eyes to the fact that in the meantime they were forcing Missouri borrowers to pay rates four to eight times as high. The Kansas City Star and most of the other important newspapers in the state supported workable legislation.

As stated above, Missouri's new consumer loan legislation consists of two separate laws. S. B. 79 is an "interest code," which also includes a number of important regulatory provisions. S. B. 78 is a "supervision" law, detailing conditions of licensing, annual reports, examinations, etc. Taken together, the two laws cover much of the ground included in the standard small loan laws of other states.

Objectives

of The Advertising Council of Rochester, Inc.

The newly formed Rochester (New York) Council is the first to be organized at a local or community level and, as such, may well set a pattern for many other cities in the United States. Its objectives, broadly stated are:

To invite and to investigate, fairly and impartially, all requests from local (as well as county, state, and national) groups seeking publicity aid and advertising support for any worthy movement, cause or program.

To correlate, coordinate, plan, prepare and supervise advertising and publicity using all available advertising media—newspapers, billboards, direct-mail, radio, television, etc.—for all movements, programs and projects approved by the Public Policy Committee of the Council.

To be ready in any emergency, in peace or in war, to step into any situation and provide such help as the talent, experience, influence and contacts of the Council make possible.

To work closely with our schools, churches, character building agencies, charities, veterans' organizations, city, county, state, and national officials to further good works and to support patriotic programs.

To cooperate with the National Council at a local level with approved nationwide activities and programs such as the U.S.O., CARE, Conservation, Better Schools, Safety Campaigns, U. S. Savings Campaigns and others as well as any new home front programs occasioned by defense necessities.

To publicize by every medium possible the true meaning of Freedom and Democracy and to combat ideologies and "isms" seeking to undermine American principles and to destroy the faith of our people.

Reprinted from STET.

Missouri's New Consumer Credit Law

By LYLE S. WOODCOCK

Mr. Woodcock is Assistant to the Executive Vice President of American Investment Company of Illinois.

Missouri had a small loans law until the adoption of a new state constitution in 1945.

At no time during the eighteen years in which the small loan law was in effect was there any effort made to repeal the regulatory statute. These laws served the people well, providing legal credit from reputable companies to the citizens of Missouri.

When Senate Bills 78 and 79 were passed, even then there was some agitation, particularly by the St. Louis newspapers, that the Governor, once more, as his predecessor had done, veto the new bill.

It is of more than passing interest to note the contents of a letter from the St. Louis Better Business Bureau to Governor Smith on May 2, 1951:

"It is our understanding that you now have before you for consideration Senate Bills Nos. 78 and 79, amending the Statutes to authorize, license and supervise the making of small loans in this state.

"The Better Business Bureau of St. Louis, through its Board of Directors, adopted a resolution on February 20th, last, which outlined the extortionate rates of illegal lenders afflicting our citizens and urging the enactment of an adequate small loan law in Missouri. Copy of the complete resolution is attached. Also, an item in our printed Bulletin to our members, dated March 26, 1951, relating to this subject.

"While the Better Business Bureau of St. Louis has never taken a position on the rate involved, this letter is to urge upon you the great need for adequate licensing and supervision of the small loan business in the State of Missouri, for the primary purpose of protecting the necessitous borrowers against the 240% upward per annum rates of the numerous loan sharks. In our opinion the best remedy for this loan shark practice is an adequate source of loans from licensed and supervised lending offices.

"The Better Business Bureau of St. Louis urges that you sign and approve Senate Bills 78 and 79, because of the many desirable provisions which would establish adequate sources of loans for necessitous borrowers under proper regulation and restrictions."

Principal Author

Senator Floyd Gibson, the principal author of the bills, stated at the time the Governor signed the bills:

Left to right: Senators R. Jasper Smith, and Edward Long; Governor Forrest Smith (signing the Bills); and Senator Floyd Gibson.

"The signing of Senate Bills No. 78 and No. 79 today by Governor Smith means that thousands upon thousands of small borrowers soon will be able to borrow money at reasonable rates of interest and have along with it the proper protection which has long been denied them.

"It also means that legitimate lending companies now will be able to operate in Missouri, charging a rate that will bring them a reasonable return on their investment.

"For almost five years the high rate lenders, better known as loan sharks, have victimized the many thousands of people who, because they could not borrow from a bank, had to go to these people.

"As one of the authors of the bills, it is my feeling they represent the best legislation we could pass. The rates are lower than those in most of the other states that have small loan laws. The protection afforded the borrower is as good if not better than that in most of the other states. The reasonable rate of interest compares with the 3 per cent a month charged prior to 1945.

"Governor Smith is to be commended, first for his recommendation to the Assembly that it enact small loan legislation, and secondly for his signing of these bills.

"His action today climaxes a fight of several years to get fair, reasonable and equitable small loan legislation on our books and it represents a distinct victory for the working man and woman who no longer need to be victimized by the loan sharks."

Provisions of the Missouri Law

As a result of the language in Section 44, of the 1945 Constitution and subsequent court decisions concerning Section 44, the bills which have been enacted into law in Missouri are, rather, consumer credit or instalment lending laws designed to be applicable to any type of lending business doing an instalment type of business.

Senate Bill 78 is a regulatory bill and is in itself a new act in the Missouri Statutes. Section 1 of the bill deals with definitions describing consumer credit loans which are "for the benefit of, or use by, an individual or individuals.

Section 2 requires the lender to obtain a certificate of registration from the Commissioner.

Section 3 provides that the lender must secure a certificate of registration for the business.

Section 4 provides that the Commissioner may require a bond.

Section 5 provides that there shall be an annual registration fee of $150.00 for each separate license; and also provides that the certificate of registration shall not be assignable, that each separate place of business must have a certificate of registration and that the certificate must be displayed in a prominent place in the office.

Section 6 provides that each lender shall file an annual report with the State Finance Commissioner, giving in detail the operation of the business during the year.

Section 7 provides that the Commissioner shall have full power and authority at any time, and as often as necessary, to investigate and examine the supervised business.

Section 8 specifically gives the lender the right to sell insurance and that the registrant, or any of its employees, may be a licensed agent. It further provides that the insurance premiums shall not be considered as interest, service charges or fees of any loan. Section 8 further provides that the Commissioner must issue regulations governing the types and limits of insurance which can be sold by the lender. The regulations governing the types and limits of insurance will be issued by the Finance Commissioner; however, the bill does not take any authority away from the Insurance Commissioner in supervising and regulating the types of policies, etc., which shall be used by insurance companies.

Section 9 provides that the lenders shall keep books and records of the supervised business.

Section 10 provides the Commissioner with the authority to revoke a certificate

of registration if the lender does not comply with the law.

Section 11 is the penalty section, and penalty for violation of the law is a misdemeanor.

Section 12 is an emergency clause.

Senate Bill 79 is an amendment to Chapter 408 of the revised Statutes of Missouri, 1949, and adds five new sections to the law known as Sections 408.031, 408.032, 408.033, 408.034, and 408.035.

Section 408.031 is the rate section and is quoted here en toto:

"This section shall apply to all loans of $400 or less which are not made as permitted by other laws of this state except loans which are secured by a lien on real estate, non-processed farm products or crops and except loans to corporations. On any loan subject to this section, any person, firm, or corporation may charge, contract for and receive interest in any manner at a rate which shall not exceed the rate (a) which will yield $15.00 for $100.00 of principal which is to be repaid in 12 equal and consecutive monthly instalments of principal and interest combined and (b) which shall not exceed 2.218% per month on the unpaid principal balances."

Section 408.032 provides that no interest shall be deducted in advance, but may be added to the principal of the loan. Likewise, it prohibits the compounding of any interest. It also provides that loans be repaid in consecutive monthly instalments. However, there is no limit as to the number of monthly instalments to be included in any contract. 408.032 also provides that a written statement concerning certain information shall be given to the borrower at the time the loan is made, and further provides that any pledge, assignment or mortgage which no longer secures a loan can be restored, cancelled or released. No further or other charge whatsoever can be made on the loan except those necessarily paid out by the lender to any public officer, concerning the filing, releasing, etc. If any lender charges more than the legal rate of interest, except as a bona fide error, all evidence of the money loaned and all securities, etc. shall be unenforceable. It regulates advertising; it provides the method by which a refund shall be made when interest is added to the principal of the note; it makes it mandatory that the Commissioner verify the rate and the amount of interest charged.

Section 408.033 permits the lender to lend more than $400 to one borrower at the same or different time with one loan being made up to $400 under the Section 408.031 of the bill, and any additional amount loaned at 8% simple interest. The bill further provides that the two loans may be considered in one contract.

Section 408.034 is the salary buying section.

Section 408.035 is the penalty section providing a misdemeanor for the violation of the loan.

While there were two bills passed—Senate Bills 78 and 79—actually they were strictly companion bills, each requiring the other. In effect, while the rate has a $400 ceiling on it, the ceiling at which a lender can make loans at 8% per annum is not limited.

Operations will be different in Missouri, since all lenders, regardless of type, will operate on the same basis and under the same law.

It is predicted that bank competition will be keen, rates and lending policies erratic for a number of years. It will be interesting to study the results under this type of law.

Credit Management Meeting

Barney J. Lenihan, president of National Consumer Finance Association, and also president of Time Finance Company, Louisville, Kentucky, spoke April 19 before the 18th Annual Conference of the Credit Management Division of the National Retail Dry Goods Association. The meeting at Louisville's Brown Hotel was attended by more than 300 members from all over America and sections of Canada.

Mr. Lenihan described consumer credit as "man's greatest invention" and "its use," he pointed out, "exercises the finest traits of human character—trust, confidence, courtesy, consideration, integrity, discipline, reliability."

In the invitation to talk before this important credit group, Mr. Lenihan was asked to comment upon the splendid customer relations enjoyed by the consumer finance industry. He related the history, background, and present widespread use of consumer finance service by more than one out of seven American families. Among other things, he informed Credit Management listeners that the greatest single source of new business for consumer finance companies came from recommendations of present customers.

The National Association president stressed the Golden Rule as being the perfect guide to successful customer relations. Urging greater use of personality in customer contacts, he stated his company's customers were most impressed by two things—friendliness and speed of service.

Mr. Lenihan called attention of the convention to the universal drabness and lack of imagination in department store monthly bill presentation. He stated there had been virtually no change in bill forms since the establishment of commercial and consumer credit. Since bills were the most frequent and important communication between stores and their customers, he urged the department store credit men to minimize the pain of monthly bill paying, by use of color, pictures, information, and slogans, to generate customer good will. Since most bills are paid by women, he suggested that envelopes and bill forms might accentuate feminine appeal.

In the same vein, he urged the department store credit executives to place their credit departments strategically and conveniently in the merchandising areas of their stores—instead of being hidden away on some upper floor. He also urged selection of top personnel for credit department staffs—people who will give the credit seekers personalized, warm, friendly, and speedy service.

Sensing the vast public relations opportunities to educate their millions of customers, Mr. Lenihan recommended that the department store credit men use brief, but vital messages about the American opportunity system as enclosures with monthly bills. He asked the credit men to merchandise the American system as successfully as they merchandised the numerous wares they purvey.

Speaking of Regulation W, Mr. Lenihan said some merchandising credit men had been deluded into wanting return of Regulation W—and wanting it continued as a permanent fixture of Government. The benefit bait for them is that W would curtail "credit crazy" competitors—protect orderly credit competition. The snare—the delusion—the trap is that Regulation W, if made permanent, will create and require the greatest bureaucracy so far established in any federal department in Washington. Credit grantors of America must stand united to eliminate Regulation W at the earliest possible date consistent with decline of the inflationary problem. Maintaining emergency regulations after periods of stress, stagnates and stifles healthy business development—and stimulates and encourages bureaucracy.

Closing his discussion, President Lenihan emphatically urged greater courtesy, cooperation, and consideration between the several fields of consumer and commercial credit. He pointed out that attacks upon any segment of the credit granting field ultimately affect all sections of it.

Lehigh University Conference

Lehigh University was host to the 1951 National Consumer Credit Conference on May 24-25, 1951. Dean Carl E. Allen of the College of Business Administration planned and conducted the conference, with the able assistance of the entire Commerce faculty, particularly Dr. Frederick A. Bradford, head of the Department of Finance, and Dr. Herbert M. Diamond, head of the Department of Economics and Sociology. The 15 principal consumer credit granting associations acted as co-sponsors of the conference and represented every phase of the consumer credit granting business in the United States.

Need for Knowledge

Dr. Martin D. Whitaker, president of Lehigh University, cordially welcomed the delegates to Lehigh on Thursday morning. His address was followed by an analysis of "What We Don't Know About Consumer Credit" by Dr. M. R. Neifeld, vice president, Beneficial Management Corporation, who pointed out that consumer credit is an intimate family budget problem to consumers, with their vital differences in human aspirations, emotional drives and motivations. The scientist is inclined to make forecasts on the basis of statistical aggregates and the relations between them. The statistician deals with institutional totals and mixes up consumer credit, mortgage credit, instalment industrial credit and credit to industrial organizations. The economist assumes that by manipulating the terms upon which consumers use credit, he can bring supply and demand into balance. The sociologist has not yet learned "to evaluate the social value of self-help and of raising the standard of living by one's own effort." The social workers "do not know and it has never been established what is a safe debt load for a family of a given income, nor what is the role of consumer credit in improving consuming habits and in improving family welfare." The credit manager's work "keeps him dealing with the family as a unique individual purchasing unit." Both operators and consumers need to know much more about consumer credit. The statesman is turning his attention to consumer credit. All of these people deal with consumer credit, but there is much more that we all need to know about consumer credit.

Regulation W

On Thursday afternoon David C. Melnicoff of the Federal Reserve Bank of Philadelphia gave a "General Appraisal of Regulation W," in which he reviewed the history of consumer credit regulation and the operative effects of Regulation W. His address was followed by Dr. Albert Haring, Professor of Marketing, Indiana University, on the subject of "Regulation W in Relation to Retail Instalment Credit." Dr. Haring urged more flexibility of Regulation W, stating that restrictions should be such as "to permit the production and movement into consumption of all merchandise which can be fabricated without straining the manpower or raw materials of the country." Paul L. Selby, executive vice president, National Consumer Finance Association, discussed these two presentations on Regulation W and added additional facts regarding inflationary pressures arising from governmental policies, an increase of $24 billion in consumer incomes, and the accumulated surplus in durable goods which is now apparent. Mr. Selby reached the conclusion that as an anti-inflationary control measure, Regulation W had little, if any, effect; that it was highly discriminatory against lower income groups, and that the regulation should be abandoned or terminated at an early date.

Banquet Speaker

On Thursday evening, Dr. G. Rowland Collins, Dean of the Graduate School of Business, New York University, delivered the banquet address on the subject "Consumer Credit in a Guns-and-Butter Economy." He presented a strong case for consumer credit as a constructive force in the national economy.

Consumer Credit Agencies

Representatives of five of the principal consumer credit agencies outlined the role of their institutions in the economy on Friday morning. The subjects and speakers were "The Commercial Bank," Ellis B. Ridgway, Jr., chairman, Consumer Credit Committee, Pennsylvania Bankers Association; "The Consumer Finance Company," M. L. Goeglein, vice president, Pacific Finance Corporation; "The Credit Union," William W. Pratt, executive director, Pennsylvania Credit Union League, Inc.; "The Industrial Bank," Myron R. Bone, vice president, American Industrial Bankers Association, and "The Sales Finance Company," Thomas W. Rogers, executive vice president, American Finance Conference.

Credit Risk

Clarence E. Wolfinger, president, National Retail Credit Association, discussed "Evaluation of the Credit Risk." He said, "Credit cannot be labeled as a one-time transaction. . . . Every account should be looked upon as an opportunity to service that particular customer over a period of years. If we consider consumer credit in that light, we can afford to spend a little more time, money and effort in evaluating the risk. . . . We would be remiss in our treatment of credit appraisal if we did not have an intimate, detailed knowledge of not only local conditions, neighborhoods, areas, industries and even as far as to know the relations in particular industries between management and employees. . . . Wise consumer credit extension doesn't result from a combination of elements in the same degree of quantity, quality or frequency. Consumer credit appraisals change and conditions change. Information must be sought as well as examined." He said that more problems have been created by the foolish extension of credit than by any other cause. "The credit grantor creates more ill will by a reckless credit policy than he does by a more moderate one. A conservative policy does not mean a tight policy. . . . Consumer credit starts to operate after all other forms of bank and business credit have developed the product from the raw material into its completed form—from the iron ore to the refrigerator, or from the forest to the living room furniture. The payment for the finished product by the retailer reverts this payment back through the production channels, and consumer credit operates in the interest of the purchaser."

Consumer Credit Courses

On Friday afternoon Dr. Frank Parker, Professor of Finance, Wharton School of Finance and Commerce, University of Pennsylvania, carefully outlined the requirements of an acceptable course in consumer credit for colleges and universities. Out of long experience in developing such courses, Dr. Parker outlined the necessary curricular components, teaching methods and factual materials which should be assembled in a collegiate course. Fred Kane, instructor, Abraham Lincoln High School, Philadelphia, gave a masterful review of the materials now available as aids to teaching consumer credit courses in high schools, either as a separate course or as a part of courses in economics, mathematics or social studies. Curtis A. Williams, executive vice president, Pennsylvania Consumer Finance Association, gave a splendid review and discussion of these addresses.

RFC—Turned Sour

The country has been shocked by the "goings on" in the Reconstruction Finance Corporation, as revealed by Senator J. W. Fulbright's Subcommittee. Political loans, White House influence, attempts to cover up, mink coats, free siestas in Miami Beach hotels—the story could go on and on. These juicy details are likely to obscure more fundamental issues.

The RFC was established in 1932 as a temporary agency, with a life of one year, to come to the rescue of distressed financial institutions, to keep the nation's railroads out of bankruptcy, and to provide agricultural credit.

As an emergency organization, it had merit. In the early years it had able leadership. During World War II, its functions were broadened and it mushroomed into a giant holding company. It became a giant lending institution after the war's end, with no emergency to justify its lending.

While the public is shocked at the revelations, a more sophisticated public would not be surprised when it finds that a political institution is making motions like public institutions are expected to make. Turning vast sums over to a government bureau provides a dollar-tropism which the politician finds almost irresistible. The citizen thinks, perhaps too much, of elected officials as individuals who can do him good. When he uses these officials, he is responding in accordance with political processes.

Fundamental Issues

Of more fundamental importance than the shenanigans brought to light by the Senate Committee is the actual function of such a lending organization in a private enterprise economy. While certain worth-while ventures may have been provided with capital they would not have otherwise received, the fact remains that the RFC deals primarily in submarginal enterprises. Enterprises which cannot stand on their own feet and cannot obtain credit elsewhere turn to the RFC. This system is often supported on the ground that it constitutes "aid to small business." But such aid to submarginal enterprises which, by definition, cannot stand on their own feet would, in other circumstances, be regarded as a hurt and harm to those other enterprises, both large and small, with whom the subsidized enterprises compete.

Such political loans are actually designed to set aside free market processes. Marketable funds are limited in supply. Borrowers compete for them. Thousands of lenders daily sift out the good risks and reject the bad risks. Sometimes they guess wrong, but it is they who pay the penalty. When the RFC guesses wrong, it is the taxpayers who pay.

Government subsidy and government lending comes to the rescue of enterprises found "ineligible" by private lenders. This tends to waste resources in rattlesnake farms and ill-conceived prefabricated housing projects. It also makes it that much tougher for small businesses who work with their own resources or such funds as they can borrow from the private market.

The RFC has made more good loans than bad, but its success can be largely attributed to the fact that in the postwar years nearly all loans have been good in the sense that borrowers have been able to repay them. We have made this possible by diluting the currency and floating ourselves to a steadily higher and higher cost-price structure so that loans made yesterday, last year, or a decade ago tend to be solvent simply because we have been on a rising market.

Under such conditions the submarginal loans are harder to defend than ever. In times of easy money, bankers and lenders of all types are predisposed to higher risk-bearing loans and in many cases provide funds to enterprises that could not endure under more normal market conditions. In such boom times the RFC loans are more onerous than ever since legitimate credit is in ample supply.

As Jesse Jones said in recommending "a decent burial" for this organization, "Government lending in competition with private business is not a proper function under our private enterprise system."

—*Economic Intelligence.*

Published by the Chamber of Commerce of the U. S.

Regulation X—Registration Statement

By JOSEPH E. NEWTON

The Federal Reserve Board has provided a form for registration under Regulation X. This form must be filled in and filed by all Registrants not later than June 30, 1951.

All loan and finance companies which lend money to others for the purpose of purchasing or financing real estate, *regardless of the nature of the security*, must register if

(1) Such real estate credit has been extended more than three different times during the current calendar year or during the preceding calendar year, or

(2) Such real estate credit has been extended in an amount or amounts aggregating more than $50,000.00 during the current calendar year or the preceding calendar year.

In other words, you should register if you extended real estate credit four or more times in either 1950 or so far in 1951, or if you extended more than $50,000.00 of such credit in either of these years.

In determining whether you must register, all loans involving old or new property must be counted, even though made on an exempt basis. Generally speaking, all real estate construction which was commenced *after* noon on August 3, 1950, is regarded as new construction and all real estate on which construction was commenced *before* noon on August 3, 1950, is regarded as old construction. The old construction, as you have previously been notified, is not subject to the restrictions contained in Regulation X but you must, nevertheless, register if you made the requisite number of loans for the purpose of aiding in the purchase or financing of either old or new construction.

Paragraph III of the Registration Statement contains a series of questions covering outstanding amount of loans *secured* by real estate. If none of the loans made by small loan licensees are secured by real estate, the answer to all of these questions will be "none." The same is true of Paragraph IV of said Statement.

The Registration Statement was issued in conjunction with Amendment No. 5 to Regulation X. If you have not received a copy of this Amendment or the Registration Statement, ask for copies from your local Federal Reserve Bank.

You should also be familiar with Amendment No. 4 to Regulation X which was released on May 10, 1951. This Amendment allows persons deprived of their properties through condemnation to obtain replacements on more liberal terms than those provided by Regulation X.

TWENTY Years Ago in the *News*

Personal Finance News, June 1931

National Officers, 1930-1931:

President, T. M. Kaufman; Vice President, L. K. Osborne; Executive Vice President, W. Frank Persons; Treasurer, T. J. Harrison; Secretary, Edgar F. Fowler

. . . Today there are murmurings on all sides concerning the over-expansion and distension of consumer credit. If there is a distension of consumer credit, whether in the form of instalment sales or in the form of small loans, the problem cannot long be evaded without inviting disaster. But what is the standard of measurement for determining the normal girth of consumer credit? When may it be said that the body economic is suffering from consumer credit flatulency? While varying standards of the maximum credit which the wage earner may utilize with safety have been suggested, ranging all the way from 25 per cent of his disposable annual balance after his fixed expenditures necessary to maintain his standard of living have been met, to 8 per cent of his total annual income, yet the fact remains that no accurate measure of the amount of consumer credit that may with impunity be developed has thus far been devised. To state this fact baldly is to admit implicitly that the existing body of factual knowledge concerning consumer credit is characterized not so much by its substance as by its deficiencies.

—*Frank Parker, Ph.D., Professor of Finance, Wharton School of Finance and Commerce.*

The representatives of business, the owners of industry and wage earners must be conscious of their social obligations. The development of private enterprise, the right to own property and to engage in trade and commerce is all based upon social sanction. The institutions of government, as well as those of a private character, rest upon a social foundation. In a democracy the power to control and supply a legal title to property is inherent within the people and is secured by the protection accorded by the state in the exercise of its corporate rights. This is very concretely illustrated in the creation of corporations. The people, through the instrumentality of government, grant a charter to those who form a corporation. These corporations are the creatures of the state and, when organized, assume, either directly or by implication, certain social as well as legal obligations. . . .

—*William Green, President of the American Federation of Labor.*

We have had eleven years' experience with the Small Loan Act (in Connecticut). Our office has studied this law, not only from the standpoint of supervision of lenders, but from the standpoint of its effect upon the community. We have endeavored to determine whether or not the small loan business deserved a permanent place in our economic life; whether or not communities could best be served by licensed lenders; whether or not the rate of interest was fair and equitable; whether or not the ethics of the business were such that we could hold up our heads and say it was an honorable business. Our experience and study has answered the above questions in the affirmative, and during the years it has been my privilege to supervise the small loan business in this state I have been gratified with the progress made in bringing this business to a high plane.

—*Lester E. Shippee, Retiring Bank Commissioner of Connecticut.*

Personalities

Newell T. Schwin is a native Hoosier—born in Elkhart, Indiana. He attended high school in Chicago, and is an alumnus of Harvard University in Cambridge, Massachusetts.

Upon graduation from college, Mr. Schwin spent two years in the land and cattle business in Montana; then a couple of years in a Chicago advertising agency. In August, 1932, he joined Household Finance Corporation as an outside representative in one of Household's Chicago offices. He was brought to the Home Office in October, 1933, to become production manager in the Advertising Department. In 1938 he was appointed district advertising manager for all offices west of Chicago. During 1941 and 1942 he also handled the advertising in the area east to Buffalo and Pittsburgh, and for HFC's Canadian offices.

Mr. Schwin entered the Navy in January, 1943, and was discharged in November, 1945, as a lieutenant. He saw action against the enemy in both Mediterranean and Pacific waters. Upon his return from service he was appointed director of advertising for Household.

As editor of *The Advertising Forum* of the National Consumer Finance Association, a quarterly bulletin, Mr. Schwin is making a contribution of inestimable value to the Forum.

Mr. Schwin is married and has two children. He resides in Skokie, a Chicago suburb, where he is active in civic affairs.

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One of the things we have to be thankful for is that we don't get as much government as we pay for.

—*Charles F. Kettering, Vice President and Director, General Motors Corporation.*

State Association Activities

Illinois

The East St. Louis lenders, headed by Richard R. Tyson, chairman of the Committee on Arrangements, welcomed the members of the Illinois Consumer Finance Association and their guests to the 34th semi-annual meeting of the association at the Broadview Hotel, East St. Louis on April 25 and 26.

All members of the Board of Directors attended or were represented at the Board of Directors meeting on April 25 which was presided over by Thomas D. Griffin, chairman.

Eleven new applications for membership were read by the secretary, Albert P. Snite, and they were approved by the Board of Directors.

The treasurer reported the balance on hand in the treasury and the police reward fund and that all bills are paid.

Many things of importance to the association and to the industry as a whole were discussed at the Board meeting. Reports were made by the officers of the association.

Promptly at 10 A. M., B. Haddon Davenport, president of the association, brought the morning session to order on April 26.

The first speaker at this session was S. E. Risley, advertising manager of the American Investment Company of Illinois, who explained the advantages of membership in the Advertising Forum of the National Association and displayed the Advertising Exhibit of the Forum for the benefit of those in attendance. His talk was instructive and helpful to all who heard him and will have a salutary effect on increasing the membership in the Advertising Forum.

The second speaker at the morning session was Olen I. Kull, public relations representative of Household Finance Corporation. Mr. Kull told of his interesting activities and work around the state.

The final speaker at the morning session was D. R. Blount, public relations representative of International Shoe Company. In a very interesting and human presentation, Mr. Blount pointed out the way to put some humanity into business. He stressed the importance of the small things and the fact that it pays to recognize things well done with a word of encouragement. All in all, Mr. Blount's talk was excellent and everyone in attendance was the better for having heard him.

The morning session adjourned at 11:30 A. M.

A reception for the guests who were invited to attend the luncheon was held in the Zebra Room at 12 noon.

The luncheon in the Grand Ballroom at 12:30 P. M. was colorful and well attended. Many guests of East St. Louis and the surrounding community were there.

Richard R. Tyson, president of the State Finance Company, East St. Louis, and chairman of the Committee on Arrangements for the meeting, extended a hearty welcome to those at the luncheon. He introduced those at the speaker's table and some other notables in the audience.

C. M. Roos, executive manager of East St. Louis and Interurban Water Company, spoke on "The American Individual Enterprise System." Although suffering from an acute attack of laryngitis, he delivered an excellent talk. He showed by authentic figures relative comparisons between other European countries, Russia and the United States in production and way of life and wondered why anyone in his right senses would want to trade what we have here in America for what they have in Russia. Mr. Roos' talk was factual and was enjoyed by those who heard him.

At 3 P. M., the business meeting of the association was called to order by President Davenport. Reports were made by the officers of the association.

The chairman of the Board of Directors, Thomas D. Griffin, made a very comprehensive and interesting report to the membership. He told about the work of the Consumer Credit Group and reported on the Supervisors' Industry Conference which was held in New Orleans on April 23 and 24. Mr. Griffin told of the Wage and Hour litigation in Pennsylvania and many other matters of current interest to our members.

Several amendments to the Constitution of the Illinois Association providing for a board of directors of 19 members instead of 15 and providing further for the election of officers from the membership instead of confining the election of the officers to members of the Board were unanimously approved.

The business meeting of the association adjourned at 4:15 P. M.

The final speaker was Richard O. Wiesner, executive vice president and counsel of the New York State Consumer Finance Association who spoke on "A New Technique in Explaining Our Business."

Mr. Wiesner told of the effective and successful meetings conducted in New York State at which employees had explained to them the consumer finance business. Mr. Wiesner used a Vu-graph machine to show charts and other interesting data to emphasize his discourse.

The members enjoyed Mr. Wiesner's presentation and feel indebted to him for his trouble in bringing to them the interesting technique used in his successful campaign in New York State.

The Fellowship Hour from 5 to 6 concluded the day's activities and afforded the members an opportunity to visit and relax.

Iowa

The 35th annual business meeting and convention of the Iowa Association of Small Loan Companies held at the Fort Des Moines Hotel, Des Moines, Iowa, on May 2nd, 3rd and 4th, 1951, was one of the largest and most successful meetings ever held during the past few years.

The board of directors held their meeting Wednesday evening after a dinner in the Green Room. That evening a pre-convention get together was held in the Arizona Room, which was well attended by association members, wives, and friends and was purely a social affair.

The convention proper was called to order at 10:00 A. M. on Thursday; the morning activities being confined to the annual business meeting of the association. New officers elected were: A. C. Kelly, president; E. A. Thompsen, vice president; H. K. Young, treasurer, and M. E. Patrick, secretary.

The following resolution was adopted by the membership:

"Resolved, That the Iowa Association of Small Loan Companies recommends that its members refrain from using any advertising material which appears to be a check, money order or draft. Motion made, seconded and approved."

At the afternoon session, John T. Carpenter, vice president, Beneficial Management Corporation, Newark, New Jersey, delivered a very outstanding talk on the subject of "Streamlining Operations to Reduce Operating Costs."

Mr. Carpenter was followed by H. E. Van Vliet, vice president, Community Credit Company, Omaha, Nebraska, whose subject was "Soldiers' and Sailors' Civil Relief Act," in which he gave a very clear interpretation of the law and the proper operational procedure to comply with the terms of the act.

The topic of "Management's Responsibility to Employees" was covered by Bernard J. Rechtiene, assistant secretary-treasurer of A. A. Murphy and Co., Inc., of St. Paul, Minnesota, who emphasized very strongly the fact that the business investment of an employer is worth little without the loyalty and experience of the men and women employed to make and collect loans for him.

Joseph Leopold, representing the National Tax Equality Association, spoke very forcefully on the subject of "Doing Business Without Taxation." Mr. Leopold was very well received by his audience.

An address on the "Consumer Finance Business in 1951" was delivered by Paul L. Selby, executive vice president, National Consumer Finance Association, Washington, D. C. As usual, Mr. Selby's remarks were very informative and delivered in a very convincing manner.

The annual banquet was held Thursday night in the Main Ballroom following the president's reception in the South Ballroom.

A highlight of the evening's festivities was the presentation of beautiful gold wrist watches to H. M. Roth of Liberty Loan Company, Ottumwa, Iowa, the retiring treasurer and John E. Peterson, State Finance Company, Des Moines, Iowa, legal counsel for the association, in recognition of their long and faithful service to the association.

Following the floor show, the remainder of the evening was devoted to dancing.

Friday morning, May 4, the sound movie, "Telephone Courtesy" was presented by the Northwestern Bell Telephone Company, and Otis Jones, Supervisor, Small Loan Division, Iowa State Banking Department, addressed the membership and reviewed the 1950 operations of the industry.

The convention site for next year was announced as Davenport, Iowa, and the convention was adjourned following luncheon in the South Ballroom.

Michigan

During this past month, this association of which you and I are members, added another first to its list of projects designed to bring about a better public understanding of the aims and practices of the small loan business.

Through the cooperation of the local association in Saginaw, the story of the consumer finance business was presented to the clergymen, both Protestant and Catholic, of that community. Following the general pattern of Business-Industry-Education Day programs, we spent a profitable day with these gentlemen who are so close to so many of our customers. Truly, it was a "Workshop in Social Service" which enabled us factually and truthfully to portray our business to a mighty important segment of the community.

Typical of the reactions on the part of the ministers present were these as quoted from a thank-you letter—"I want to say that I appreciated the meeting and look upon it as a fine expression and idea. I believe it was of real value in bringing an understanding of your work and which can help us as ministers to better serve our people in relation to the finance problems that they may have."

We now look forward to the day when we can bring this well-worth-while program to your community.

The consumer finance companies of Muskegon and Muskegon Heights, along with other business and industries, participated in a very successful B.I.E. Day on April 6th, being hosts to 20 grade and high school teachers, 3 ministers and 2 labor leaders for the day.

The soundness of this program and its public relations value to this industry was once again demonstrated by the interest which our guests showed in the program as it was presented.

Richard Lewis, manager of Time Loans, Inc., in his capacity as chairman of the Muskegon Lender's Association B.I.E. Day Committee acted as host throughout the day. Following the

"get-acquainted" opening session E. E. McDonald gave the teachers a formal introduction to the business and presented our industry film. The teachers were then given a conducted tour in groups to the offices of Michigan Fidelity Loan Company, Home Loan Company, Household Finance Corporation, Liberty Loan Corporation and Personal Finance Company. In these sessions, the operating policies and procedures of the consumer finance business were fully explained and opportunity given the teachers to ask questions.

At noon, the guests all joined for luncheon with our membership. Following this, there was continued discussion of various aspects of the business with a round-table discussion winding up the day's program.

These programs provide our business with a real opportunity. If such a Day is to be planned for your community, we should know about it early, so that we can be of assistance in helping to plan your participation.

Washington

A campaign to warn the borrowing public against illegal interest charges listed under the guise of service costs by unlicensed small loan operators was launched on April 28 at the Tenth Annual Convention of the Washington State Consumer Finance Association.

At the same time, the 175 delegates to the convention from licensed loan firms around the state, elected Raymond E. Cowen, of the Federal Finance Company, president of the state organization and named other officers.

Commenting on the action taken against "loan sharks," Mr. Cowen said, "We are celebrating the tenth anniversary of the Uniform Small Loan Law in this state. This law has brought most unscrupulous loan operators into

Raymond E. Cowen
President, Washington Association

line because they cannot get a license and because of the work of our organization and the State Department of Banking in policing this type of industry. Of late, however, we have noticed an increase in the numbers of loan agencies operating outside the law. It is our purpose to join with the Department of Banking and permanently stamp out the loan shark."

Other officers elected were F. J. Gleeson, Seattle, vice president, and L. A. Lockett, Seattle, secretary-treasurer. New board members are: Charles E. Schaffer, Thomas C. Barto, William H. Lowman and A. L. Anderson, all of Seattle; O. M. Troup, Spokane; I. C. Overley, Renton, the retiring president; A. M. Constans, Bellevue; A. Vernon Stoneman, Auburn; M. M. Treadwell, Chelan; R. E. Vester and Frank Spencer, of Portland, Oregon and E. C. Taggart of Los Angeles, California. The last three operate loan companies in this state.

Speakers at the meeting were J. C. Minshull, who retired on April 30 as State Supervisor of Banking; Joseph Sweeney, Lenny Anderson, Lester Jenkins and Dr. George Taylor of the Far Eastern Department at the University of Washington.

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May I suggest that we not sell short our way of life. Enslavement weakens people—freedom gives them strength. And in the long run, it is the strength or weakness of people that dictates the course of history.

—*Paul G. Hoffman, Economic Cooperation Administrator.*

Ernest M. Morris, founder and chairman of the board of Associates Investment Company, died on May 3 in Memorial Hospital, South Bend, after being in ill health for a year and a half. He was 68 years old.

A pioneer in the consumer finance field in the United States, Mr. Morris founded the Associates organization in 1917 and built it into the nation's third largest independent automobile finance company with assets of more than $380,000,000 and 115 offices in 29 states.

He was an organizer and first president of the National Association of Finance Companies and its successor American Finance Conference and was active in both insurance and banking.

A Glance at What They Are Doing

George W. Kehr, for many years a member of the official N.C.F.A. family, will attend the 50th reunion of his class at Princeton June 7 to 11. All of the 110 surviving members have reached or passed three score and ten years of their lives. This represents 38% of the original class. Members from the four corners of the earth are expected back to celebrate the occasion. It becomes the honor of this class to lead the alumni parade from old Nassau Hall on the campus to the ball field where the traditional baseball game with Yale takes place June 9.

Rene A. Curry, president of the Louisiana Association of Small Loan Companies, has been instrumental in developing in New Orleans an in-service training class in "Problems in Personal Financing." Mr. Curry, also president, Curry-Dearie Finance Service, Inc., set up the course as an in-service training class for teachers and personnel. Members of the industry contribute their time as faculty members, and teachers carry the knowledge thus acquired back to the classroom. In addition, the Orleans Parish School Board has ordered sets of all published units of the Consumer Education Series published by the National Association of Secondary-School Principals for use by counsellors and teachers of distributive education, economics, home making and sociology in the high schools of New Orleans.

James J. Walsh, Supervisor of the Division of Small Loans, Department of Insurance of Illinois, was elected president of the National Association of State Small Loan Supervisors at a meeting held on April 25 in New Orleans. Other officers elected were: Melvin O. Hall (Connecticut), first vice president; Sydney H. Kromer (Oregon), second vice president; J. A. Metzler (California), third vice president; E. P. Thomas (Louisiana), secretary, and Loren H. Brewer (Indiana), treasurer.

M. Bruce Mace, manager of Capital Finance Corporation at Columbus, Indiana, has just been elected to a high post in the newly organized Bartholomew County Civilian Defense setup. Mr. Mace is deputy director for the area, in charge of the disaster relief division, which deals with aid to Columbus vicinity in the event of an emergency. Nine separate committees or groups, each responsible for a different aspect of emergency relief, are directly under the control and supervision of M. B. Mace.

Granddaughters of Fred B. Snite, Therese Marie Snite (left) and Mary Loretto Dillon (right) photographed with ex-President Herbert Hoover at Key West.

Irving H. Stroup, after completing 40 years in the consumer finance business, has sold his office at Muskegon, Michigan. Mr. Stroup has been ill but his health has much improved now. He started in the business with his father in 1910. His company was a member of the National Association continuously from 1916 when it was organized until the business was sold. Mr. Stroup was very active in the Michigan Association of which he was a Director for about 20 years.

Robert L. Oare, 38, has been elected chairman of the board of Associates Investment Company and for the first time in its 33-year history, the company, one of the country's largest automobile finance companies, has a new chief executive.

Formerly vice chairman, he succeeds Ernest M. Morris, founder of the company, who died May 3. There were no other official changes.

Harry V. Morningstern, manager of Capital Finance Corporation at Montclair, N. J., has been elected secretary of the Montclair Business Association. This is an organization of Montclair business, industrial and professional people, separate from, but a part of the Chamber of Commerce. Better promotion and development of the business life of Montclair are among the objects of this civic group.

FOREIGN ACCOUNTS

Are YOU getting the most out of them?

The NCFA PLAN is working well. Members give and get complete information when using the suggested forms. This saves time.

Borrowers are helped when their credit is promptly established in new locations. The NCFA PLAN is a convenience and service to them.

The success of the plan and potential maximum benefits to customers and to lenders can be achieved only through constant and universal cooperation within the industry.

Amendment No. 5 to Regulation X

Issued by the Board of Governors of the Federal Reserve System with the Concurrence of the Housing and Home Finance Administrator

Regulation X is hereby amended in the following respects, effective May 11, 1951:

In subsection (*b*) of section 3, add reference 11a after the word "announcement" in the fifth line, and add this footnote at the bottom of the page:

11a Pursuant to public announcement made by the Board on May 11, 1951, all persons so engaged in the business described above on May 31, 1951, must register with the nearest Federal Reserve Bank or branch not later than June 30, 1951, on Form F.R. 269, which may be obtained at any such Bank or branch. All persons who thereafter become so engaged in business must register within 30 days.

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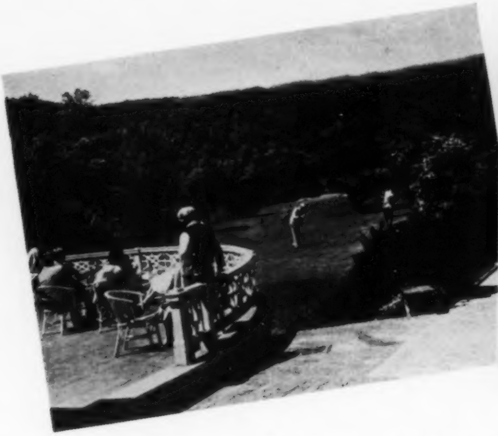
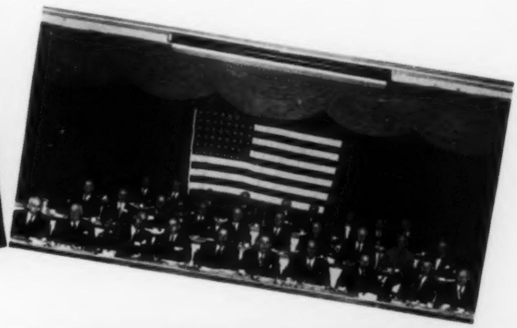
Come to White Sulphur Springs



Exchange Ideas—
Cut Costs—
Improve Service

Meet the Defense Situation Together



37th Convention

September 27-28-29, 1951